WAR FOOD ADMINISTRATION
Office of Distribution
5 South Wabash Avenue
Chicago 3, Illinois

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To: State and Area Supervisors, Midwest Region

From: E. O. Pollock, Regional Director, Midwest Region

As most of you know the Department of Agriculture has organized regional committees on post-war programs for agriculture. These committees are comprised of representatives of various bureaus of the Department of Agriculture and the state agricultural colleges within the regions.

The Midwest Region of the Office of Distribution, War Food Administration, covers two of the post-war planning regions. Our region includes all of the states in the Midwest Post-War Planning Region, namely, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin. It also covers three states from the Great Plains Post-War Planning Region, namely, Nebraska, North Dakota and South Dakota.

As a member of the Midwest Regional Committee on Post-War Programs for Agriculture, I am serving as Regional Activity Leader for the Committee on Post-War Marketing and Distribution Problems and Programs. The attached bulletin has been compiled under my direction, combining the preliminary reports which were prepared by the staffs of the state agricultural colleges in cooperation with the U. S. Department of Agriculture and War Food Administration. These reports deal with the post-war agricultural problems which are likely to arise in marketing and distribution and suggest solutions for these problems. It is expected that we will receive similar reports from the three states in the Great Plains Post-War Planning Region and they will be sent to you as soon as received.

It is suggested that you study these reports very carefully and give some thought to the types and kinds of programs which should be developed. As representatives of the Office of Distribution, War Food Administration, we should be in a position to take an active part in any discussions relating to marketing and distribution problems in the post-war period. It is also felt that some of the material included in these reports would serve as valuable discussion material to be used in meeting with your Food Advisory Committees and other groups.

Any comments or recommendations which you may wish to make on the attached report will be greatly appreciated.

E. O. Pollock

Attachments

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Midwest Committee on Postwar Programs for Agriculture

POSTWAR MARKETING AND DISTRIBUTION PROBLEMS

Preliminary Reports Prepared by the State Agricultural Colleges of Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin.

Compiled by

WAR FOOD ADMINISTRATION
Office of Distribution
Midwest Region
February, 1944

INTRODUCTION

Some of the most acute and pressing food problems in the demobilization and post-war period will be in the field of marketing and distribution. Adjustments in the utilization of natural and human resources to provide agricultural products in the quantities and kinds needed to assure our population of an adequate standard of living will be of little avail unless our marketing and distribution machinery operates efficiently and effectively so that demands can be satisfied and satisfactory returns can be given the producers.

The Midwest Committee on Post War Programs for Agriculture recently requested the state agricultural colleges in the region to prepare preliminary reports indicating the principal post-war agricultural problems likely to arise in their states and suggesting methods for dealing adequately with these problems. As Activity Leader of the Committee on Post War Marketing and Distribution Programs and Problems, it occurred to me that the marketing and distribution phases of these reports should be brought together so they would be readily available to those persons concerned with post-war agricultural planning. This booklet is a compilation of the preliminary reports on marketing and distribution problems prepared by the staffs of the State Agricultural Colleges in cooperation with the U. S. Department of Agriculture and War Food Administration.

This material should prove a great stimulus to those concerned with the development of programs dealing with food marketing and distribution problems in our post-war agriculture.

E. O. Pollock

E. O. Pollock
Activity Leader of the
Committee on Post War Marketing and
Distribution Programs and Problems

Illinois Report

MARKETING PROBLEMS IN THE DEMOBILIZATION PERIOD

General Statement

The demobilization period is likely to be one of fairly high but erratic prices for farm products. Not only will many lines of agricultural production be at high levels, but much food will be left in military and lend-lease stockpiles. Surpluses of canned vegetables, canned and dried milk, soybean oil, lard and other stored pork products, dried eggs, and also wool are very probable.

The immediate objective during this period is to maintain purchasing power. In order to minimize the difficulties of the later period when consumer demand will be less, surpluses should be rapidly disposed of. Government stockpiles should be liquidated and inventories from current production kept down.

Ways to implement this marketing policy are to: (1) Prevent any more inflation and so discourage accumulation of goods both by consumers and producers. (2) Export products that are acceptable to foreign peoples. (3) As soon as possible eliminate--or at least modify--rationing. (4) Encourage consumers to use up surpluses by abandoning too high price supports. (5) If the above programs do not move surplus stocks, revive the "food stamp plan."

Specific Problems

Corn and Soybeans.

Production of corn and soybeans will be at a high level at the end of the war. If demand for livestock and livestock products is also high, as now seems probable, both crops will be fed heavily. Corn for feed and soybeans for food and feed may also be shipped to Europe, which has imported practically no feeds since 1939 and now needs them to restore her hog and poultry industries.

The corn-products industry, which increased its consumption of corn by about 50 million bushels a year during the war, will probably use less corn after the war. Distillers, however, will use more corn in order to build up their depleted stocks of liquor. Some corn may also be used to make commercial alcohol unless, as at the end of the last war, there is already a surplus. (In the past, however, blackstrap molasses has been a cheaper source of commercial alcohol than corn.) The demand for alcohol may be maintained after this war by the newly developed synthetic rubber industry.

The demand for soybean oil will lessen as soon as the Southwest Pacific is open to commerce and coconut oil is again imported on a large scale. The big outlet for soybean protein will still be for livestock feed. Although sales efforts by the soybean industry and educational programs may create a substantial domestic demand for soybean flour, its sale in this period will depend chiefly on whether Europeans accept it as a relief food.

Processing Facilities for Soybeans.

Since feeders could not get as much soybean meal as they wanted during the war, there will no doubt continue to be much interest in processing facilities. New processing plants should not be built, however, until the post-war place of the soybean industry is better established.

Excess capacity is undesirable, because the tendency of any trade is to so organize that all firms, except the least efficient, can make profits at whatever percent of their capacity they can utilize.

If it is decided to build new processing plants, these matters should be considered:

1. Such plants should be so located as to provide better markets for areas that do not have favorable freight rates to Decatur, Illinois, the present center of the industry. These areas are (a) the portion of western Illinois not served by the Wabash Railroad; (b) the portion of eastern Illinois served by the C. and E. I. Railroad; and (c) northern Illinois.

2. The plants should be large enough to realize the advantages of fairly large-scale operations.

Soybean meal is now sold at "Decatur plus" prices (a system which will prevail in any area as long as users must import meal from that milling center). Small processing plants built primarily to supply local feed needs would have the advantage of selling soybean meal at the "Decatur plus" price and would probably have opportunities to buy beans at a slightly lower price. The question is whether these advantages might be offset by the disadvantages of lower technical efficiency and higher unit cost. Enough small plants are now being built throughout the country so that this question can be answered before long.

Freight rates per ton on soybean meal from Decatur to typical markets are: Paris, Illinois, $2.40; El Paso, Illinois, $2.40; Ottawa, Illinois, $2.80; Rock Falls, Illinois, $3.20; Cherokee, Iowa, $5.60. One dollar per ton on meal equals about 2½ cents per bushel of beans.

Conversion of Hemp Plants.

Contracts for processing hemp in 1944 will be given to only four of the 11 hemp plants being built in Illinois. As soon as their present supplies of hemp are processed, therefore, seven plants will be available for other uses. These plants are at Muncie, Vermilion County; Lexington, McLean County; Minonk, Woodford County; Wyoming, Stark County; Galesburg, Knox County; Galva, Henry County; Ladd, Bureau County.

The equipment of these seven plants might be used to dry alfalfa, soybeans and other hay crops which can be produced in Illinois but are scarce in the form of dried meal and roughage. The government should, therefore, convert at least one of these plants into a pilot plant. If this plant is successful, then all plants might well be developed as cooperatives.

Livestock and Livestock Products.

Unless a severe drouth intervenes, livestock production will probably be at a high level at the end of the war. While markets are active, emphasis should be placed on: (1) liquidating surplus government stocks; (2) bringing current production into balance with the supply of feed; and (3) weeding out inefficient animals (which will probably sell for better prices in this period than later).

Local processing of meats may be stimulated by the large-scale development of local refrigerated storage space both in central locker plants and in homes.

The following policies are recommended:

1. As markets will be uncertain, farmers should be encouraged to sell their livestock where they can get the best sales service.

2. Government grading of beef, mutton, lamb and veal in packing houses engaged in interstate commerce should be compulsory (after the war), although government grading should be carefully reviewed and modified from the standpoint of raising standards.

3. As many surplus egg-drying plants as are suitable should be diverted to milk drying.

4. The probability of below-ceiling prices for eggs and a decreased volume of egg drying should lead to more nearly normal premiums and discounts for quality. Egg marketing programs should encourage the production of high-quality eggs.

Milk.

The market for milk, one of the least expanded of our major markets, will be active in the demobilization period. Consumption of our most highly valued dairy products--fluid milk and cream--should be encouraged by:

1. More distribution through low-cost channels.

2. Adoption of flexible price systems in as many markets as possible in order to keep prices adjusted to basic conditions in the industry and among consumers. (Such systems are now in effect in our three largest markets: Chicago, St. Louis, and the Quad-Cities.)

3. Maintenance of quality standards, with emphasis on the practical, inexpensive methods well known to milk sanitarians.

4. School lunch programs and, if there is much unemployment, the return to prewar arrangements for "relief milk."

Dried Milk.

Emphasis should be placed on the production of dried skim milk powder. Not only will much be exported in the demobilization period but, if supplies are available, domestic demand will also increase. As soon as there is a surplus of milk--probably toward the end of the demobilization period--more should be used to make this highly nutritious product because:

1. Any decline in the consumption of whole milk or in the manufacture of evaporated milk leaves that much more milk to be made into butter.

2. The price of milk for butter, the basic dairy product, needs to be strengthened by a greater utilization of skim milk.

3. Surplus milk is more likely to be available in the form of whole milk than butterfat.

4. A 20-year trend in Illinois shows that more and more farmers would rather sell whole milk than butterfat.

5. Butter will need to be of good quality to meet post-war competition from substitutes. Organizing the industry so that creameries handle whole milk will help to improve the quality of butter.

Horticultural Products.

The main wartime expansion in horticulture in Illinois has been in commercial canning crops. Large-scale exports are not likely to develop, for Europeans have never used many American canned vegetables and are not likely to do so. Surplus stocks, therefore, should be disposed of through trade channels as rapidly as is practicable.

The national demand for frozen fruits and vegetables will continue to increase. Quick-freezing plants to take care of the Illinois fruits and vegetables that can be successfully preserved in this way should, of course, be located in the state. There is no vegetable dehydration industry in the state to be liquidated.

Because of good wartime prices and subnormal plantings in recent years, horticulturists will probably plant many peach and apple trees during the demobilization period. Emphasis should be put on the varieties that are most apt to be in demand by the time trees are ready to bear. For example, Illinois plantings of the apple-tree varieties that sell to the extensive "pie apple" trade are getting low.

Indiana Report

POST-WAR PROBLEMS IN MARKETING

The post-war problems in marketing may be grouped into two classes: (1) those directly caused by the war and (2) those that would be present war or no war.

With few exceptions, those in the first class will tend to correct themselves as wartime regulations are divorced from the marketing system. Letting prices, based upon the factors of supply and demand, guide production and distribution will, in the long run, result in the most effective economy.

In general, those marketing problems which would be with us war or no war are of greatest importance. Of the list which follows, most of the problems are of general nature. Local problems which now exist most likely will change their complexion greatly before the war ends.

PROBLEM NO. 1

Inadequate Facilities for Certain Marketing Jobs and Unneeded Facilities for Others

Situation.

War has drained heavily upon available material and manpower, making it impossible to replace, and in many cases adequately repair facilities used in marketing. They are becoming more and more inadequate. By the end of the war, or sooner, something will need to be done to provide new equipment and more adequate repair service to prevent serious bottlenecks. Transportation and certain processing facilities are examples.

On the other hand, new facilities have been provided to serve war needs which may not be needed when the war ends. Egg drying plants are an illustration.

A few facts are in order. Based on survey data on trucks assembling farm products it appears that the current situation (January, 1944) finds the average truck to be over 4 years old and to have traveled over 100,000 miles. These trucks are causing increasing trouble by more frequent breakdowns and because of the difficulty of getting tires, repair parts and repair work done.

Dairy processing plants are operating at high capacity under wartime conditions which do not permit needed replacements. One-fourth of the dairy plants in Indiana are expected to be in critical condition in this respect by 1945 unless replacement of major processing units is provided. The condition in other types of plants is no doubt similar.

Indiana has six egg drying plants. It is questionable whether their operation can be justified when the war demand for dried eggs is discontinued.

Objectives.

(1) To avoid any disruption in marketing, by making necessary new equipment and adequate repair service available.

(2) To discontinue operations of processing plants no longer economically justified and, where possible, to convert such plants to uses which are economically sound.

Accomplishment of Objectives.

Facts should be assembled relative to the condition of the various marketing facilities. These should be made available to government agencies having control over production of equipment and materials needed. They, in turn, must take the necessary steps to see that such equipment and materials are made available in sufficient time and volume to prevent unnecessary disruption in marketing. As soon as possible such equipment and materials should be made available on an unrestricted basis.

Efforts should be made to increase the efficiency of present facilities to make them last as long as possible.

The problem of what to do with processing facilities built to produce war needs should be studied from a national point of view. This should attempt to determine what plants are not economically justified as well as attempt to find suitable uses. The development of quick-freezing may offer some possibilities. Also shifting to the processing of other products more justified by economics needs consideration. Any subsidy or similar program to keep plants operating which are not justified should be discouraged.

PROBLEM NO. 2

Maladjustments Due to Government-Guided Production, Rationing, Price Controls, Subsidies, etc.

Situation.

Attempts to solve economic problems by guiding or semi-control of production and other controls have created more and more problems to control. In general, the changes in total production, shifts between regions, and variation in grades, weight and quality have been increased by government regulations. Rationing and price controls have affected demand. These and subsidies have affected production and distribution.

Livestock production at the end of the war will be out of balance between areas, between species of livestock and within species in regard to size and finish. The great emphasis on edible fats required by the war may mean a great change when the war ends. Buying and selling of livestock has been affected by slaughter and price controls and subsidies.

In dairying the great shift to whole milk outlets and the opening up of formerly closed markets may have an adverse effect when trends swing in the opposite direction. When subsidy programs now operating for some products are discontinued it will mean sharply lower prices to producers or higher prices to consumers.

All of these conditions and others must be dealt with. No one can foretell just how government programs will be changed before the end of the war or after the war.

One thing seems certain - there will be tremendous pressure to discard many or all programs mentioned as soon as the war is over. There are bound to be many unjust hardships and unjust advantages between groups in the process of discontinuing these wartime programs.

Objectives.

(1) Restore prices based on supply and demand factors as the primary guide to production changes - between regions, between products and in regard to grade, weight, and quality.

(2) Discontinue government regulations and encourage an economy based upon free competitive enterprise, in such a way as to create the least unjust hardship.

Accomplishment of Objectives.

There will be much confusion and group pressure to maintain or obtain advantages. This will make the accomplishment of the objectives difficult. It will require the research facilities and advisory help of unbiased individuals of the state universities working with leaders in industries performing the marketing functions. Facts must be made available not only for those working on these broad problems and questions but also for the general public to promote a fuller understanding of the effects of control.

PROBLEM NO. 3

Rigidity of Marketing Costs and Difficulties of Changing Marketing Practices

Situation.

Agriculture's share of the consumers' dollar will have been at record levels. This will be the result of a rising price level, when farm prices rise more rapidly than the cost of distribution. The cost of distribution has risen less than prices because of increases in volume of business and the adoption of many economic practices long realized as being more economical. The upgrading of products and the fact that tremendous quantities of goods were sold in wholesale lots to the government have had their effects in raising the farmers' share of the dollar spent for food.

Any decline in the price level will affect farm prices adversely. Distribution costs will not only remain high but there will be pressure to return to less economical practices (to make jobs for more men). Pressure groups will also make it difficult to adopt new marketing practices which require less labor, even though such changes are more economical.

Much attention will be focused in the wrong direction - upon profits of the middleman - and the important reasons for agriculture's small share of the food dollar will be overlooked. Too many do not realize that high, inflexible wage rates and difficulties to make changes involving less labor are far more important than profits.

It must also be recognized that many desirable changes are not always known by those in the marketing field. Also the common public misunderstanding of the problem makes it difficult to bring about desirable changes.

There are many examples of how the costs of distribution have been cut. A good example is every-other-day delivery of milk. It will not be surprising to see pressure groups demand this practice be again changed to the prewar practice even though more costly.

Objectives.

(1) There should be greater flexibility in the major cost item labor (with respect to both quantity and wage rates). (It is realized that flexibility cannot be achieved for the field of distribution without also being brought about in all industry.)

(2) Continuation of distribution practices which have proven less costly and adoption of others which are more economical.

(3) Interference of pressure groups with changing to more economical methods should be minimized.

Accomplishment of Objectives.

Research must make facts available on what happens to the consumers' dollar, reasons for high cost of distribution, and changes which are desirable.

Facts must be publicized to acquaint and give the public a better understanding of the problem. This must include producers, middlemen, and consumers, and should be focused even more strongly upon those individuals or groups carrying pressure on such problems.

Legislation detrimental to accomplishing these objectives should be changed.

PROBLEM NO. 4

Trade Barriers

Situation.

Barriers to free, fair trade are not for the good of our general welfare. Several types of such barriers are:

a. Protection of a Product of One Area Against That of Another. An example of this is limiting the cream or milk for a given city to that which has been produced under official inspection of that city. Sometimes health regulations have been used as an excuse to set up economic barriers which have nothing to do with health. The war had decreased those barriers because of the necessity to get supplies. If these barriers are again put into effect many areas will be adversely affected and consumers will have to pay more.

b. Protection of One Domestic Product at the Expense of Another. Taxes which protect one domestically produced product at the expense of another of recognized merit and which contribute to wasteful effort and to lower standards of living are not to the best interests of society.

c. Lack of Uniformity in Standards That Must be Met. An example of this is the lack of uniformity in the farm milk production requirements of public health agencies. This situation frequently restricts the free marketing of milk by producers and processors because of minor, or unreasonable requirements of different agencies which conflict and consequently make it impossible for producers or processors to comply with all requirements. Such barriers have been temporarily lifted as the result of wartime milk shortages. Adoption of uniform requirements by health agencies would prevent the reestablishment of such barriers to free trade.

d. Laws Hampering More Economical Distribution. For example, trucks are not allowed to operate in one state which are legal in the surrounding states.

Objective.

Elimination of trade barriers designed to favor certain groups, or which hamper more economical distribution, or which are not for the general welfare of the citizens of the country.

Accomplishment of Objective.

This is not an easy problem to solve. However, conferences such as have already been held regarding the state trade barriers should be encouraged. More facts on these problems should be assembled and made available to the industries concerned as well as the general public. Ground gained in the direction of removing trade barriers should be held. Attempts to establish new barriers should be discouraged.

PROBLEM NO. 5

Inadequacy of Market Information

Situation.

Much improvement has been made to provide market information. However, there is still a great opportunity to improve this job. Most price information, except for the larger markets, is available only monthly and usually covers a relatively large area. These reports do, no doubt, show price holes in our economic system. The job of getting supplies to places most needing them, would, however, be improved if price information were available for smaller areas and on a more comparable basis.

Consideration should also be given to making market information on larger markets more comparable and giving greater service.

Objective.

To improve market and price information.

Accomplishment of Objective.

This function can no doubt be improved by extending government facilities now in existence.

PROBLEM NO. 6

Grading Program

Situation.

Grading standards have been greatly upset and changed during the war. Even before the war many grading standards were not adapted to meet the needs. The problem is one of establishing a sound grading program, either governmental or private, which can be understood through all the channels of distribution and which keeps to a minimum the added cost to marketing. This problem is not easy to solve.

Objective.

A grading program acceptable and adaptable that has meaning and is understood throughout the channels of distribution and which adds a minimum of cost to marketing.

Accomplishment of Objective.

Close working of government agencies with the agencies of distribution.

PROBLEM NO. 7

Packages and Containers

Situation.

The war has brought many new developments in containers. There have always been a tremendous number of sizes and shapes. Greater uniformity would seem desirable if this could be accomplished without costing more.

Objective.

Greater standardization of packages.

Accomplishment of Objective.

Experiments must be made to determine the size, shape and materials best adapted to serve each purpose. These experiments, along with costs of the various containers, should provide guidance to a program to give greater uniformity to packages and containers used in marketing.

It is evident that marketing problems are greatly influenced by pressure groups. These groups frequently present facts but choose the facts that support their views. Unbiased research and the dissemination of results not only to those directly interested in marketing problems but also to the general public can do much toward a gradual improvement in the distribution system. In marketing, as in most other fields, improvements are seldom brought about universally overnight.

Iowa Report

POST-WAR PROBLEMS IN AGRICULTURAL MARKETING AND DISTRIBUTION

Agricultural production in Iowa has increased substantially during the war, and some new wartime products have been added. The marketing and distribution system has been strained to the limit to handle the load. After the war, when production will presumably decline toward more normal levels, several marketing and distribution problems will require solution.

Price Controls

Price ceilings and rationing will need to be continued until the immediate post-war inflationary forces have spent themselves, and price floors will need to be extended to control the decline to peacetime levels.

Price floors, however, are like price ceilings in that they cannot control prices in themselves. It is the rationing that is used with price ceilings, reducing the demand, that holds prices down to the ceilings. Price floors announced before breeding and seeding time affect production, because they let farmers know just what prices they can count on before they lay their production plans; if a decline in demand is coming, price floors enable farmers to meet it by reducing production. But price floors cannot in themselves affect the demand. If they are set higher than prices otherwise would be, they can be maintained only if they are backed up by specific measures to increase the demand, such as government purchases and sales or some other form of subsidy to the commodity concerned, or general public expenditures to offset a decline in demand.

As demand returns to peacetime levels after the war, it may be possible to maintain employment and industrial activity at a high level. If this could be accomplished, and price floors were lowered to about the level where prices would be without floors, they would thus indirectly support prices by having reduced agricultural production in line with demand. In that case, the price floors would have helped to bring about an orderly reconversion of agriculture without any subsidies being required.

If a post-war depression develops, however, and demand declines on that account, measures will need to be taken to support the floors by offsetting the decline in demand. Three different kinds of measures are available:

1. A step could be taken in that direction by the government simply paying processors a large enough subsidy to enable them to pay floor prices yet cut prices to consumers enough to move the product into consumption. This is the method that is being followed during the war to enable meat and butter prices at retail to be rolled back to lower levels without lowering livestock and butterfat prices paid to farmers. The shortcoming of this sort of subsidy is that it benefits all consumers alike--the rich who do not need it, as well as the poor.

2. A better procedure for supporting price floors if a depression develops after the war would be for the government to buy enough products to support the floors, and distribute the products either directly by means of food stamps, or through ordinary retail channels, or both, to those consumers who need them most--low income groups who otherwise would not get an adequate diet. This would put a floor under consumers' nutritional needs as well as under farmers' prices. It would involve more extensive and complicated administration than a general subsidy to all consumers of the product as under (1), but the Food Stamp Program has shown one way of handling that sort of program. A streamlined version of that plan, running into billions of dollars instead of hundreds of thousands could do the job.

3. A still better procedure from the national point of view would be for the government to put the income required to purchase good diets into the hands of those who needed them, not as a gift, as under (2), but as wages for useful work. This work would consist of very large programs of public highway construction, for example, on the 15 billion dollar scale that has recently been proposed; airway development; irrigation, power, fertilizer, flood control and river transportation systems; railroad improvement, including the modernization of terminal facilities as well as road bed and rolling stock, involving government aid or ownership if necessary, as in Canada; an extensive housing program; a much expanded educational system; industrial and agricultural research programs; and resource-conservation of various kinds--land, petroleum, timber, etc.

This third program would enable the country not only to put a floor under consumers' needs and farmers' prices but also to greatly improve its physical plant. If this sort of thing were conducted on a large enough scale its direct and indirect effects would be sufficient to prevent a depression from developing at all. It might run into tens of billions of dollars, but that would be only a small fraction of the cost of war, and could be covered by taxation much reduced from its present scale.

Transportation

The prices that farmers receive and pay are directly affected by the costs of transportation and the existence of adequate transportation facilities. This applies to all types of transportation facilities--rail, water, truck and air.

Special attention may well be directed in the post-war transition period to several specific problems:

1. Probably the most important immediate consideration will be to make available an adequate supply of trucks, tires, and repair parts as soon as possible after the end of the war. It may be possible to use some military trucks.

2. Something should be done to retain as much as possible of the benefit resulting from the wartime elimination or reduction of wasteful duplication of truck travel in the assembling of farm products and in the distribution of farm supplies. A repetition of pre-war duplication and waste would increase the difficulties of agriculture in maintaining adequate incomes and would increase costs of products to consumers. This would require an educational program, for the existing emergency measures such as rationing of gasoline and tires cannot be applied in peacetime. Plans should be made to develop suitable peacetime research and educational programs designed to deal with the problem of duplication of truck travel in rural areas and the problem of excess distributive facilities in some agricultural

commodity fields, particularly dairy, produce, livestock and farm petroleum distribution.

3. Special efforts should be made to prevent the reinstitution of interstate barriers to the free movement of trucks across state lines; where such barriers to trade will have survived the war, efforts should be made to eliminate them.

4. The matter of roads is the subject of a separate report. Emphasis is here placed on the problem of poor roads from farms to state or other arterial highways. It avails a large majority of our farmers little if trucks serving them are unable to reach the farms except at high cost. Poor roads place heavy burdens on farm transportation.

5. The problem of freight rate structures and other factors affecting costs and routing of agricultural freight traffic should be thoroughly investigated. In some instances, it is suspected that present rate structures are influenced more by the interests of dealers or processors at particular markets than by the best interests of producers and consumers.

6. Farmers as well as consumers are also vitally concerned about the effects of railroad labor union policies on the quality and costs of rail service. Efforts should be made to work out the most satisfactory complementary system of railroad, water, and truck transportation. Any evidence of attempts by railroads to stifle the competition of truck and water transportation is a matter of concern to farmers.

Processing Facilities for Specific Products

Hogs and Cattle.

Hog production has been greatly expanded in the United States during the war, and hog slaughtering and processing facilities have been expanded also. When hog production declines after the war, the packing industry will be too large for the supply of hogs.

This overcapacity will probably be unevenly distributed over the country. Slaughtering has been increasing in Iowa for many years, even when that increase involved building more slaughtering capacity. Now that plant capacity has been expanded beyond post-war needs, instead of lagging behind the needs as before the war, it seems likely that slaughter in Iowa will continue to increase at least as much as before the war.

If that happens, the market for hogs in Iowa will become still less an appendage of the surrounding terminal markets, and still more a broad decentralized market with its own characteristics and needs. One of those needs will be more accurate methods of determining values, based for example upon carcass weights and grades instead of live hogs. A similar system would be as desirable for beef cattle, and would be easier to adopt since beef carcasses are already being government graded; it would merely be necessary to hitch the basis of paying farmers to a carcass grading system that was already in operation.

If price ceilings are continued during the post-war inflationary period, and floors are continued then and thereafter, they should include a seasonal price pattern similar to the average seasonal movement in the past, in order to preserve a reasonable ratio between production at different times of the year.

Soybean Processing

Thirty-one soybean processing plants will be in operation in Iowa in time to handle the 1944 crop. Seven of them use the solvent process. Of the remaining 24 plants, 8 are cooperatives. The total soybean processing capacity in the state will be 27 to 28 million bushels--more than twice the 1942-1943 capacity of 12 million bushels.

The total soybean processing capacity in Iowa will probably not be great enough to take care of all the 1944 Iowa soybean crop. The Iowa crop in 1943 was 39 million bushels, produced on 2 million acres. The goal for 1944 is 2.89 million acres--an increase of 47 percent over 1943. If this goal is reached, Iowa may produce 50 million bushels of soybeans in 1944. This is nearly twice the Iowa processing capacity.

How much reduction from these levels is likely to take place after the war? Is Iowa's soybean processing capacity being expanded beyond its post-war needs?

After the war, the world supply of fats and oils will increase as tropical oils come back on the market in full volume. The prices of soybean oil will probably return to about their pre-war levels (about half the present ceiling price of 11.75 cents per pound). Soybean meal prices will also decline, although not so much as soybean oil prices (they have not risen so much). The meal from a bushel of soybeans will then become more valuable than the oil, instead of the reverse as at present. The price of soybeans will probably return to less than $1.00 per bushel.

Soybean meal is bulky, and the shipping costs are high per dollar value of meal, so meal produced in excess of local consumption would depress local prices (by the amount of the shipping charges) substantially. Local processing plants have the advantage of serving both the producer of surplus beans and the feeder or deficit producer in their community. They crush the beans, grind the home-grown feed grains, mix the soybean meal with them, and sell the feed mixed locally. It seems likely, therefore, that soybean production in each western Corn Belt state will be reduced to the point where all the meal can be sold locally, close to the plant where it is produced. (The demands for meal for the northeastern states are likely to be supplied by the eastern Corn Belt states because of their proximity.)

If this happens, how much meal would be required to meet local Iowa needs?

From 20 to 30 million bushels of beans would be required to produce enough meal, (in addition to the other protein supplements ordinarily used in feeding) to bring the Iowa livestock feed ration up to the 12 percent protein content recommended by animal nutritionists. If this nutritional goal is reached, Iowa's production of beans would keep Iowa's present soybean processing facilities operating at about their 1944 capacity.

Competition between Plants and Processes.

The cooperative plants have the advantage of their membership relations, and their open formula feeds, but the commercial feed mixers who process the meal into mixed feeds have the advantage of their size, national advertising, and varied

outlets. Further educational work is needed to make clear to farmers just what are the most valuable constituents of mixed feeds, so that they know what to look for. Processing plants which do not utilize their meal through mixed feeds will probably find the competition rather severe when prices adjust downward after the war.

The comparatively recent solvent process gets more oil out of the beans than the older expeller or crushing process, and when oil prices are as high as they are now the extra oil more than pays for the higher costs of the process. The solvent process, however, requires equipment and materials which are difficult to obtain during wartime. After the war, this difficulty will disappear, but the lower prices for oil may make the solvent process no more profitable than the expeller process. Much depends upon technological improvements, as for example in the recovery of the solvent. It is difficult to forecast how many plants will change over to the solvent process.

The most efficient size of plant will have some bearing on the outcome. Large solvent plants are more efficient than small ones, but they incur heavier transportation costs for bringing beans in and shipping meal out over a wide area. Not enough data are at hand to determine the point where the efficiencies of large size are offset by the costs of transportation, but the college has a cooperative agreement with a small solvent plant operating at Plainfield under which the college provides the plant with technical information and has access to their records. Informal contracts with cooperative expeller plants should provide data concerning the crushing process. Further investigation is required here.

Dried Skim Milk

There are four major types of dried milk products: (1) dried buttermilk either for animal or human use, (2) dried whole milk for human use, (3) dried skim milk for human use, and (4) dried skim milk for animal use.

Of these products, dried skim milk has shown the greatest expansion in production for wartime use, because it has high nutritive value and keeps better than dried whole milk. The production of dried skim reached a peak of 626 million pounds in 1942. Preliminary estimates indicate a sharp decline to 478 million pounds in 1943, approaching pre-war levels, due to diversion of whole milk to fluid consumption uses, for whole dried milk, or retention of skim milk on farms to supplement scarce protein supplies. The total requirements for dried skim milk in 1944 will be between 675 and 700 million pounds. Over 96 percent of this is destined for human consumption.

A substantial part of the milk supply available for drying is located in Iowa, where 5,117,000,000 pounds of skim milk (16 percent of the United States total) were left on farms in 1942.

Iowa has 46 dried milk plants in or approaching operation (February, 1944). Two of these plants are spray driers; the rest are roller driers. These plants are operated by the following types of organizations:

Cooperative creameries or fluid milk associations	27
Meat packers	3
Independent local creameries	10
Centralizer creameries	5
Independent milk distributor	1
	46

The large amounts of skim milk on Iowa farms can be drawn upon for drying purposes only by the provision of drying facilities and the payment of prices high enough to overcome the competitive pull of the demand for skim milk for feeding hogs, calves and poultry on the farm. During the war period the War Food Administration has sought to tap this supply by providing drying facilities in the areas where cream is separated on the farm, and by setting appropriate milk prices.

The prices that have thus been set are least favorable for the production of inedible skim milk powder for casein. This has been a major factor in the diversion of skim milk supplies from casein and animal powder to edible skim milk products. The prices of butter and of skim milk powder are slightly less favorable than the prices of some of the other manufactured dairy products. The production of butter and dried skim milk is limited mainly by the volume of milk left after the more favorably priced products have taken the milk necessary to meet demands.

The domestic demand for dried skim milk will probably increase after the war, but not fast enough at first to offset the rapid decline in the demand for military and foreign rehabilitation purposes. The foreign demand on a competitive basis is not expected to be large. The prospects for dry skim milk in the post-war period depend upon:

1. The development of domestic outlets. This calls for a program of consumer education concerning the nutritive quality of dry skim milk, and the development of a product with superior taste and keeping qualities, put up in packages suitable for various household, commercial and industrial uses. The spray dried product is preferred at present, but the spray process is more expensive than the roller process, and roller dried milk is acceptable for certain purposes at price differentials under the spray dried product.

2. Favorable price relationships with fluid and evaporated milk. This will be affected by the efficiency of production and distribution of the different products. If dry milk prices decline considerably in the post-war period, relative to livestock prices, producers may be expected to return to feeding more of their skim milk. A price support may be needed to maintain a favorable relationship to continue such processing, until the domestic demand has time to expand. For the long term the upward trend in demand for dry skim milk should eventually make price supports unnecessary.

During the interim, price supports should be used. But price supports cannot in themselves hold prices higher than they otherwise would be. They have to be backed up by measures to increase the demand, such as government purchase and distribution to low-income consumers in this country.

3. Alternative sources of animal feeds which will release skim milk from use on the farm to processing for human use. From a standpoint of efficiency much is lost by feeding skim milk to animals beyond certain minimum amounts. The demand for skim milk for hog feed and the value of it will be determined by the price of hogs and relationships between the price of hogs and the price of skim milk and other protein feeds. If other protein feeds can be made available at prices which are more favorable to farmers than skim milk, then farmers will be willing to buy more high protein feed and accordingly dispose of more of their milk as whole milk rather than as cream.

Dried buttermilk for animal feeding has been the major dried product of the Iowa dairy industry. In the post-war period any diversion from the sale of cream and retention of skim milk on farms to the sale of whole milk will depend upon the advantage in price of whole milk sales over the present practice.

A substantial increase in the sale of whole milk in Iowa dairy areas would result in a recasting of transportation routes in such areas and reduce the labor of farm separation, but would require somewhat greater care of the product than where the milk is skimmed on the farm and the cream is sold. It would also require increased facilities on farms and in processing plants.

It is recommended that further considerations be given to:

1. A price support program in the dairy industry to bridge the gap between the strong military and rehabilitation demand and the strong domestic consumer demand that is expected to develop after a few years. Milk production and processing requires long time investments in equipment, and favorable and stable price relationships between various dairy products are needed to assure a degree of stability to those who make the shifts which are desired.

2. Supply problems in areas where diversion is desired and drying facilities should be located.

Dried Eggs

Domestic processing of eggs into dried form was relatively unimportant before the war. The pre-war peak of 10 million pounds in 1939 was less than 1 percent of national production. Government demands for 1943, 1944, and 1945 total from 250 to 260 million pounds annually or from 20 to 25 percent of the national production.

The wartime increase in dried egg production took place primarily because of (a) the great need for the nutrients contained in eggs for the civilians and armed forces of the United Nations, (b) the need for reducing weight and volume to conserve storage and shipping space, and (c) the need to prepare such a perishable food in a form which is amendable to handling under adverse conditions.

After the war, these considerations will revert to their normal peacetime proportions. There is no sound basis for predicting the amounts of dried eggs that will be demanded after the war. The food value of dried eggs is being emphasized by nutritionists. However, household consumers have been given little if any access to dried eggs to test their reactions. Manufacturing and industrial uses have been the main outlet, and little has been done to sell dried eggs in consumer packages.

The chief source of supplies of dried eggs in the United States is likely to be China or other countries that have lower price levels for eggs and cheaper labor costs for breaking and drying. Before the war, the processing and transportation cost via water from China to the United States was on a par with or somewhat lower than domestic costs. The tariff of 27 cents a pound on dried eggs (9 cents a dozen equivalent) and 11 cents a pound on frozen eggs (13.7 cents a dozen equivalent) was only partially effective in preventing imports of dried and frozen eggs into the United States.

The future of the drying industry in the United States is apparently contingent upon several factors: (1) The ability to process dried eggs in low price areas (due to distance factors or quality) and compete with the imported products. (2) The extent to which additional artificial barriers to import trade will be erected. For instance, in the pre-war period there was some discussion of applying stringent sanitary regulations against imports of eggs in any form. Pressure to raise tariff rates may arise again to protect and perpetuate the present processing facilities. (3) Consumer demand for the products. It is highly unlikely that consumer preferences will undergo any marked change in a short period. The major demand is for manufacturing industrial uses. Increased demands might arise either through a diversion from frozen eggs to the dried form or new uses. The chief peacetime sources of demand for dried eggs in the past have been bakeries, candy manufacturers and other industrial uses. (4) Technological developments in processing to make dried eggs readily usable and desirable for particular uses. Dried eggs at present apparently are more desirable for baking and cooking than for table uses in the home. Research and experience during the war has lead to improvements in processing and handling methods, such as reductions in moisture content and gas packing, which have lengthened the "life" of dried eggs to several months. If these and further improvements can be attained at low cost, or if costs and prices can be reduced, consumer demand may be increased over pre-war years. If not, frozen eggs will probably continue to be favored to the same extent as in the pre-war period, and the processing of dried eggs will decline from its wartime 20 to 25 percent of total production toward its pre-war 1 percent.

Since 1940, thirteen egg drying plants have been constructed and put into operation in Iowa.

In addition to the general factors cited above, the post-war prospects for egg drying in Iowa hinge upon:

1. Sufficient price incentive encouraging consumers to shift from shell eggs for table consumption to the processed products. Egg production and marketing practices over a period of years have been pointed toward qualities of eggs suitable for table use. With the removal of wartime price incentives for dried egg production, egg producers and marketing agencies are likely to get more for their eggs as shell eggs than as dried eggs, particularly in the higher quality producing areas of the state.

2. The utilization of undergrade eggs for drying purposes and shipment of eggs from low price areas outside Iowa for drying under a "processing in transit" arrangement.

Conversion of Facilities to Peacetime Uses.

If the demand for dried eggs decreases substantially after the war, the egg drying plants can be only partially diverted to peacetime production of other products.

The egg breaking facilities can be partially used to supply the needs of liquid frozen eggs which are an established product used by bakeries, mayonnaise and noodle manufacturers and other commercial and industrial users.

Egg drying has involved the purchase or construction of buildings and equipment with considerable variation in cost, ranging from dryers of the Barnhill and Barker types used in six of the plants, the Gray Jensen dryer used in five of the plants and the Rogers and Mojonnier dryer used respectively in one plant each. The three latter types (Gray Jensen, Rogers, and Mojonnier) may be converted in part or wholly to milk drying, inasmuch as the process involved is the same, and because of the present connection of these plants with creameries or their location in dairy areas. A use for the Barker-Barnhill type of dryer is less clearly apparent, and their conversion to peacetime uses rests upon technical developments in applying them to dried milk or other products. The investment in the drying chambers used with this type of dryer, however, is not very high and no great loss will result from their becoming obsolete. Considerable refrigeration equipment has been added by most dryers. This refrigeration space could be used to provide better cooling of pountry and shell eggs.

Domestic Hemp

The United States hemp program in 1943 produced enough hemp to meet domestic needs and provide a contingency reserve. Now that the submarine appears to have been licked, at least a substantial part of our needs can be supplied by imports of hemp from Chile[1/] and Central America, jute from the Mediterranean, and sisal from Mexico. The domestic hemp program for 1944 is accordingly being projected on a smaller scale than in 1943. The acreage goal for 1944 is only 60,000 acres, compared with the 168,000 acres grown in 1943. About 27 of the 42 mills erected in 1943 will be closed after they have processed the 1943 crop in 1944. Only 4 of the 11 Iowa mills--those located at Britt, Eagle Grove, Grundy Center and Hampton--will be operated after they have completed the processing of the 1943 crop; the other 7, located at Algona, Boone, Humboldt, Iowa Falls, Mason City, Rockford and Traer, will be closed down.

What are the prospects for domestic hemp after 1944?

During the first World War, hemp was produced in Wisconsin in 17 mills erected for that purpose. The hemp industry dwindled after the war, and hardly any was grown from 1922 to 1926. There was some revival in the late 1930's and a substantial recovery in 1941 as war loomed again. By 1942, four mills were operating in Wisconsin.

Before the present war, in peacetime, line fiber from hemp used to sell at about 10-12 cents per pound; tow sold for about 5 cents. The hemp mills in Wisconsin paid farmers about $15 to $18 per ton for hemp. Now line fiber is selling

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1/ Up to and including 1939-40, the United States imported about two-thirds of its hemp from Italy. From that time on, imports from Italy ceased, but imports from Chile much more than replaced them. Agricultural Statistics, USDA, 1942, p. 592-593. The imports of unmanufactured hemp for the past few years, in tons were:

	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41
Italy	909	551	406	555	242	229	449	0
Chile	0	1	70	80	47	14	52	667

at 26-30 cents, and the Commodity Credit Corporation pays farmers from $30 for Grade 4 to $50 for Grade 1.

No substantial technological changes affecting hemp have taken place during the war, and it seems likely that hemp prices will return after the war to about their previous peacetime levels relative to the prices of competing products. If the price of corn is about 65 cents per bushel in Iowa after the war, 60 bushels of corn to the acre on heavy producing land suitable for raising hemp would be worth $39. That same acre put into hemp would average 2.75 to 3 tons, which at $15 to $18 would come to about $47. The gross returns from the hemp thus would be about $8 greater than the gross returns from the corn.

If the cost of growing the hemp were less than $8 per acre higher than the cost of growing the corn, hemp could continue to have a place in Iowa. If not, technological improvements would be needed, to reduce the cost of growing and processing the fiber, or improve the quality of the fiber, or increase the returns from by-products, before hemp could hold its own in competition with the other crops customarily grown in Iowa.

Some progress has been made in these directions as a result of research in agricultural chemistry and engineering. Further research is needed, with mechanized field equipment, controlled retting processes, and processing techniques. If this research yields promising results, it might be carried to the pilot plant stage in one of the USDA regional laboratories, or the federal government might be asked to keep one hemp plant in each state going as a practical testing ground.

Industrial or Power Alcohol from Farm Products

After the war is over, the supply of molasses for making industrial alcohol may not be great enough to go around, and corn or other carboyhdrate grains may need to be used in the industrial alcohol plants located in Iowa. Unless soybean production remains greatly expanded, the national feed supply will still contain an excessive percentage of carbohydrates.

The new industrial alcohol plants at Muscatine and Omaha are not located in the lowest corn price areas. Corn prices at the farm around Omaha average four cents a bushel higher than in northwest central Iowa, and around Muscatine average six cents higher. In addition, Muscatine is in a deficit rather than surplus corn area, and the surplus of corn produced around Omaha is small compared with the surpluses in northwest central Iowa. Nevertheless, the plants are located on navigable rivers, and there are reasonably good chances that they will be able to meet competition after the war.

Alcohol may be needed for fuel purposes after the war, not only because of depletion of our petroleum resources but also because of technological developments in internal combustion engine design.

How much corn could be utilized in the manufacture of alcohol for a 10 percent admixture to gasoline? This may become an important outlet and would "kill two birds with one stone." The industrial use of farm products in plastics should perhaps also be mentioned here.

Michigan Report

MARKETING AND DISTRIBUTION PROBLEMS IN THE DEMOBILIZATION PERIOD

The report of this committee includes the major fields of agricultural commodities in Michigan such as dairy, livestock, poultry, fruits, vegetables, potatoes, and beans. It also includes consideration of the problem of reducing farm production costs for farm machinery and supplies.

The major marketing problems confronting the producers of these products are classified as to their basic principles and examples of those problems applicable to specific commodities are stated under their appropriate classification.

I. Adjustment of volume of production from war-time to peace-time needs.

Production of those agricultural products which have been increased to meet war-time needs should be reduced to peace-time requirements.

Evidence at hand and statements by Federal officials indicate that the wars with Germany and Japan will not end simultaneously. Large numbers of military personnel will be used after the war for police service in war zones. Rehabilitation of war-devastated areas and relief for the starving peoples of Europe and Asia will require food and livestock after the war. It would appear that a period of two, three, or more years after the war with Germany is terminated will be a period for reduction of the volume of agricultural production to peace-time requirements. Production of dairy products such as market milk, cheese, evaporated and condensed milk and cattle, hogs, poultry, eggs, beans, and potatoes has been greatly increased by war-time demand.

A budget of prospective demand and necessary reduction of agricultural products should be developed and made available to farmers sufficiently in advance of the actual reduction in demand to enable farmers to adjust their crop acreages and livestock programs to meet prospective needs.

A conservation and soil-building program should be developed to absorb the acreage thrown out of production of the more intensive crops. The preservation of our soil resources is a subject of national concern as well as one of interest to farmers individually. Although this subject is not in the field of marketing, it is offered here as a solution for what should be done with such acreages as may need adjustments in so far as agricultural use is concerned.

II. Development of facilities and procedures to reduce waste in the marketing process.

Facilities and procedures for assembling farm products from the farms, and for processing, and for distributing them to the consumer should be developed to reduce food waste and also to reduce the costs of marketing so that a greater proportion of consumer expenditure for the products of agriculture ma y reach the farmer.

Small economic units with high processing costs should be encouraged to merge into larger units to reduce operating costs and secure more effective and efficient distribution.

Food processing plants should be located in or adjacent to areas of low production costs. Such plants would also utilize food products which otherwise could not be profitably marketed.

The development of cooperative associations to assemble, process, and distribute farm products offers an opportunity for producers to work together to bring about improvements in marketing procedure which cannot be attained by competitive private interests and also to return the resulting savings to the farmers.

III. Development of farmer owned facilities to cooperatively manufacture farm equipment and farm supplies.

The improvement of farm machinery aids farmers in reducing the costs of producing farm products. Use of improved steel and alloys for machinery construction, designing to protect bearings from dust and dirt and to provide better lubrication, redesigning to standardize tractor and power equipment so that it can be used interchangeably with various sizes and makes will greatly extend the life and usefulness of farm machinery.

The standardization of farm supplies and the reduction in the number of formulas of feeds, fertilizers, insecticides, spray materials, petroleum products, and other standard farm supplies will be of aid to farmers and will reduce the costs of distribution and handling these products.

Manufacturing plants owned, controlled and cooperatively operated by farmers can effect some improvement and standardization of farm machinery and supplies. Local, state, and regional farmers' cooperative associations can acquire, finance, and operate such manufacturing plants. In some areas this can be handled on a local basis; usually, however, such a program should be operated as a state, regional, or national enterprise.

IV. Programs for vocational training in business administration and in the application, skill, and technique of assembling, processing, and distributing of farm products and supplies.

A program to provide vocational training in assembling, processing, and distribution of farm products and farm supplies and in business administration for directors, officers, managers, and employees of farmer cooperatives has been requested by farm leaders.

Vocational training programs of this character should be offered in short courses, in text books, and by demonstration and discussion groups. Such courses should be handled by instructors who have the technical training, who have had practical experience and who maintain constant contacts in the fields in which they offer instruction. The courses in these subjects should be offered in various degrees of progressive advancement from elementary to highly specialized training. Individual courses should not run for a term of longer than six weeks and should be offered during the months of January, February, and March.

V. Development of uniform grades and standards.

Uniform grades and standards for agricultural products based upon consumer requirements should be established. This should make possible the development of programs by which farm products are purchased and handled on the basis of known standards of quality. Such a program should reduce or eliminate many of the abuses now practiced to the detriment of consumers and producers of quality products. It should encourage producers to adopt improved practices in producing, premiums for products of superior quality.

The effectiveness of such a program would be directly related to the degree and uniformity with which it was enforced and used. It would require an adequate force of trained and competent graders and inspectors supervised by central authorities so that the grades and standards would be uniformly applied and uniformly enforced.

This recommendation for uniform grades and standards does not imply or recommend the abandonment or abolition of trade names or brands. However, it does contemplate that grade and quality classifications and designations should be stated clearly on all agricultural products sold. There is ample tolerance and spread in any grade classification to permit processors to develop consumer preference for specified trade names and brands. It would, however, eliminate false representation such as is practiced extensively in selling meats and many other products.

VI. Legislation to eliminate trade barriers, monopolistic and racketeering practices.

Legislation should be enacted to eliminate trade barriers and to control and eliminate monopolistic practices by trade agencies and racketeering practices of labor unions.

Trade barriers in interstate and intrastate commerce should be eliminated. These trade barriers take many forms and have been a subject of study by various state commissions and the Federal Department of Commerce. Publicity and educational programs should be used to present the findings of these study committees to the public so that appropriate legislative action will be taken.

The war has caused many fatalities among operators of small businesses. This has furthered the transfer of business activity to larger enterprises.

Some large scale enterprises were using monopolistic practices before the war and now that they have taken over an even greater proportion of business their opportunity for practice of monopoly control becomes greater. An example is the situation in which a large retailer offers fruit for sale at some future date at substantially lower prices than the current market would warrant and without having title to the products offered for sale. The fact that this fruit is offered at a lower price compels other retailers to withdraw from the market. Thus with slack demand and a heavy supply of perishable products the market drops and the big buyer then steps in and buys at the depressed prices. The big dealer may have gained; the consumer will have profited; but all will be at the expense of the producer.

Racketeering practices of labor unions in collusion with business firms not only exacts a heavy toll upon commerce in agricultural products but also inhibits and destroys opportunity for free enterprise. Specifically reported, are instances in Detroit and Chicago in which the teamsters' union has stopped the formation of farmer-owned and farmer operated cooperative milk hauling associations; has forced farmers' cooperative creameries to discontinue delivery of their products to retailer outlets; has agreements with florists to stop the operation of non-unionized shops and deliveries; and has exacted tribute from cooperative associations before their trucks were permitted to enter the city. Other similar tactics are practiced by the egg candlers and poultry dressers unions in the marketing of eggs and poultry.

It is reported that the Federal Department of Justice claims there are no laws by which such rackets can be stopped and the racketeers brought to court. Thorough publicity of such activities should be of assistance in arousing public opinion to the point where legislative and congressional action can be enacted to stop practices of this type. An investigating body should be appointed to forret out such practices and place them before the public.

VII. Restoration of the principles and opportunity for private enterprise, initiative, and management.

Regulation and direction of business enterprise may be advisable in time of war. In the post-war period, the Federal Government should withdraw from ownership and operation of business enterprise. It is reported that a high percentage of plant and manufacturing facilities, public utilities, and financing institutions are owned or controlled by Federal agencies and their instrumentalities. These should be transferred to private ownership immediately after the war.

Federal control and regulations which tend to stifle legitimate operation of private business should be removed. Private initiative and enterprise should be encouraged rather than stifled or smothered by restrictive regulations which tend to maintain the status quo on the assumption that business has reached the acme of development and that centralized government control and operation are a panacea for relief from economic adjustments which should always be functioning in the field of business.

MISSOURI REPORT

MARKETING AND DISTRIBUTION PROBLEMS IN THE DEMOBILIZATION PERIOD

According to reports from a large number of persons engaged in the production, marketing, and processing of farm products, agriculture will be faced with about eight important general marketing and distribution problems during the demobilization period. These problems are discussed briefly in the following sections:

1. Maintenance of a High Level of Demand for Farm Products

Although production of farm products is at a record level, the production of most food products is no higher than could be consumed under conditions of ample private employment opportunity for all who want to work. The most important problem of the postwar period is the maintenance of a high level of economic activity which would provide levels of employment and consumer demands as high as those in 1942. Such a level of economic activity would provide ready markets for farm products and relatively favorable farm incomes.

If the federal government provides the proper "culture media" for ample private employment by maintaining a stable price level, marketing and distribution agencies will still have to provide the "culture" in the form of new ideas, practices, and programs which will permit the agricultural industries to absorb their share of the manpower returned from the armed services. Industry committees, research agencies, and similar groups should be assigned definite studies of particular problems of reemployment in each industry or locality.

2. Replacing Consumption Habits Encouraged by Wartime Shortages and Rationing with Demands More Consistent with Peacetime Supplies and Needs

Requirements for the armed services and lease-lend have created shortages in certain commodities for civilian consumption. Consequently, the civilian population may be acquiring food habits which will carry over into the postwar period of anticipated plenty. Where substitutes have been more expensive, such as the shift from beef and pork to chicken or the shift from canned fruits and vegetables to fresh ones, the shift back to former habits probably will not be difficult. But many of the shifts have been to cheaper substitutes, such as cereals and soybeans for meats, and oleomargarine for butter. In these latter cases, consumers probably will not shift back to prewar habits quickly unless interested groups make definite plans to encourage the return.

Most food products consumed in the United States are also produced here. Shifts in dietary habits from one type of product to another are seldom so marked as to have any important effect on total agricultural income. Such shifts tend to benefit certain groups and to be detrimental to other groups. None of these shifts are as detrimental to any group as is a substantial decline in economic activity which results in severe unemployment.

Nevertheless, groups such as the dairy and meat industries which are likely to be affected adversely by continuance of wartime food habits should be making plans for encouraging consumers to return to prewar food habits. In addition, such groups may also stand guard to make certain that the ration allotment of highly restricted items is increased quickly as supplies are increased.

3. Retention of Desirable Changes in Consumption Habits Resulting from Wartime Programs

Some changes in food habits during the war period have been highly desirable. Fresh fruits and vegetables from local gardens have replaced part of the canned foods used in prewar days. The civilian consumption of eggs is at a record high. The use of fluid milk and whole milk products has been increased. It seems likely that some of these desirable changes can be retained during the postwar period if high level of demand for all food products is maintained.

The use of cotton fabrics in place of woolens and other fibers has been expanded during the war period. Since the United States produces a surplus of cotton and imports wool in normal times, such a trend should be beneficial to American agriculture and might be extended in the postwar period when American cotton may have difficulty in finding foreign markets.

Industry groups, research organizations, and educational agencies should study carefully all shifts in diets and determine which shifts have been highly beneficial from a dietary standpoint. With these facts well in mind, such groups might develop programs which would encourage consumers to retain and even expand the wartime desirable trends.

4. Adjusting Production to Changes in Demand Resulting From a Return to Peacetime Conditions

Some of the shifts in demand which may occur during the postwar period have been discussed above. In addition, the closing of large army camps and war plants in Missouri may cause other shifts in demand for certain areas. These will necessitate shifts in production to meet these demands. Important Missouri farm products most likely to require most extensive production adjustments are hogs (less of a lard type), soybeans for grain, grains, and cotton. Shifts from fluid milk to butterfat production also appear likely, but the demand for dairy and poultry products is expected to be such as to maintain a high level of production in the postwar period, if a high level of economic activity is maintained. Beef production also may be maintained at a high level, and the demand for fruits and vegetables is expected to be high.

The probable postwar changes in demand should be carefully analyzed and the conclusions presented to farmers and farm groups so that they may make plans for postwar adjustments. Marketing and distribution agencies to be affected by these shifts need also to make plans for postwar adjustments.

Another subcommittee is expected to treat this problem in more detail.

5. Readjusting Marketing Practices to Peacetime Conditions

Many desirable marketing practices have been restricted or eliminated by wartime conditions. Notable among these is the grading of certain farm and food products. When even low quality products may be sold readily often at or near prices for high quality products, the principal incentive for grading is absent. This has been especially true for eggs, poultry, fruits, vegetables, and meat animals. Furthermore, many prewar quality standards which involve considerable care in handling have been relaxed in an effort to save labor and reduce expenses. Elaborate packaging also has become less common.

During the postwar period, the agricultural marketing and distribution agencies will have to adjust their practices to conditions of plentiful supplies which will have to be sold rather than handled. Thus, programs for quality improvement, grading and reasonable care in handling will again be important.

To be ready for that postwar period, industry groups, farm organizations, and educational agencies should begin now to develop programs designed to restore and improve quality practices such as existed in the prewar period.

It should be recognized, however, that certain marketing practices adopted during the war period have resulted in economies which have reduced costs of marketing farm products without eliminating necessary services. In many cases, such practices should be retained, and perhaps extended during the postwar period. Examples of such practices are delivery of milk every second day, pooling of pick-up trips in assembling of livestock, reductions in amounts of credit extended to customers, and similar special services.

6. Replacing Physical Facilities which have been Depleted Due to Wartime Restrictions on Repairs and Replacements.

Much of the marketing transportation and processing machinery and equipment has been allowed to depreciate greatly during the war period because repairs and replacements were not available. All these requirements to restore physical facilities cannot be filled promptly in the postwar period. Replacements must be spread over a period of years, and old equipment, whenever possible, used for some time after the close of the war. This particularly applies to the truck situation.

Each marketing and distribution agency should begin now to inventory its needs for repairs and replacements in the postwar period and establish the approximate order in which such should be made. Each agency should also establish reserve funds from wartime earnings to be used for these purposes. The federal government should permit such agencies to build up such reserves by charging depreciation to present incomes at higher than normal rates which could be offset during the postwar period by lower

rates of depreciation when repairs and replacements are made. It may be necessary, although not normally a desirable policy, to retain priorities on machinery and equipment in part of the postwar period.

7. Converting Facilities for Wartime Demands to Peacetime Uses

It seems probable that egg drying plants and in isolated instances certain types of dairy plants in Missouri may have considerable equipment which cannot be continued in its present use during the postwar period. There may also be too many soybean processing facilities in Missouri at the close of the war, but this seems doubtful.

Industry groups and research agencies may study possible uses of such equipment in the postwar period.

8. Removal of Wartime Restrictions on Prices, Marketing, and Consumption

As far as prices are concerned, agriculture probably will be concerned more with removal of floors under certain farm prices than with the removal of ceilings. This will be particularly true of hogs, cotton, and soybeans. Removal of other restrictions as soon as practicable is not expected to cause any new problems. On the contrary, the release from a "managed" economy is expected to remove many of the present problems.

To make adjustments more gradual than otherwise would prevail the federal government should provide for progressively lower floors under prices of cotton and soybeans as it has for hogs.

9. Assistance to Rural Industries

Another problem which may not come within the scope of this committee, is that of assistance to rural industries. In the opinion of many authorities on marketing and distribution, considerable decentralization in the processing of certain farm products will occur in the postwar period. This decentralization along with the industries which normally locate in rural areas will provide an opportunity for developing rural industries for small towns throughout the state which will not only employ urban residents regularly but also excess farm labor during the months of light farm work. Such plants also may provide employment to supplement the farm income received by families of farm operators, including rehabilitated service men, who are on farms too small to provide adequate family incomes.

Packing plants, soybean and cottonseed crushers, feed grinders and mixers, and even wood-working plants in the Ozarks are possibilities. One of the greatest problems to be faced by such plants is that of finding a satisfactory market for their products. Research agencies and interested farm organizations should now begin to develop a list of the type of processing plants which can be developed in local communities, suitable market outlets available, and the kind of mutual sales organization needed to make effective sales of these products. A sound practical financing plan for such industries should also be developed. These rural industries provide an opportunity for the expansion of farmers' cooperative enterprises within the state.

MINNESOTA REPORT

MARKETING AND DISTRIBUTION PROBLEMS IN THE DEMOBILIZATION PERIOD

The marketing problems selected for consideration are those related to milk, eggs, adjustments in the creamery industry, and rural truck transportation.

A. Milk Marketing

The skim milk from 230 million pounds of whole milk was the average amount dried in Minnesota plants for the five pre-war years 1935-39. In 1943, approximately 1.3 billion pounds of whole milk, or a six-fold increase, were delivered for drying. Deliveries in 1944 may total around 1.6 billion pounds. This change necessitated investments ranging from $8,000 to $20,000 in each of over 100 receiving plants and from $20,000 to $300,000 in each of 30 to 40 new drying plants. Thousands of farmers had to make changes in their dairying and feeding practices.

The post war problem will be that of finding outlets for this output after war demands taper off. To the extent this is not done, producers will have to curtail dairying and shift back to uses of a lower order of value; plant equipment will lie idle, and loss will be suffered on the investments made.

The demand for dry milk during the immediate post war period may depend in an important degree upon the food program of the UNRRA. That, however, is likely to be temporary. For the longer run, the most important factor will be that of business activity and employment because of the close relationship between consumer incomes and the demand for dairy products. The food enrichment program also will have an important bearing on the utilization of dry skim milk. Major reliance for outlets rests upon the possibilities of expanding demand for dry milk in the domestic market although opportunities for export should not be neglected.

Major emphasis has been on dry skim milk. The possibilities of enlarging markets for dry whole milk should not be overlooked. Such development over a period of time may change considerably the sources of milk supply for consumers and result in some relocation of the dairy industry. Fluid milk necessarily is produced near the point of consumption because of its bulk and perishability. The areas for the production of dry milk are determined more by production advantages.

Recommendations:

(1) Strive for low cost, efficient production, processing and distribution of dry milk in order that it may compete effectively with other foods.

(2) Adjust quality and technical characteristics of the product and packages to the requirements of both commercial and home users.

(3) Develop more effective sales organization to handle the product and build up new outlets for it.

(4) Supplement facilities of some drying plants so that they can produce alternative dairy products and thereby make more prompt adjustments to market demands.

(5) Consider some form of surplus disposal, through federal purchases or otherwise, as a temporary expedient if needed during the interim between the tapering off in war needs and the development of civilian outlets or adjustments in output.

B. Egg Marketing

During the war Minnesota moved into second place among the states in egg production, increasing its output from an annual average of 1,599 million eggs in the years 1935-39 to 3,486 million during 1943, an increase of 117 percent. Much of the increased production was dried in nine new egg-drying plants in the state in order to adapt them to war requirements.

The problem confronting egg producers in this area in the demobilization period will be that of finding suitable alternative outlets for the eggs which have been dried or used to supply other war needs. If this cannot be done, it will be necessary to effect a prompt curtailment in egg production.

Since civilian demands for eggs have been relatively well supplied during the war, the opportunities for shifting supplies for war uses will be very limited. There may be some prospect of moving limited quantities of dried eggs into foreign relief channels, but this must be viewed as a temporary solution. The use of dried eggs in certain commercial products may be expected to expand; but these uses are likely to remain a small proportion of the total.

Over the longer term it may be expected that the total demand for eggs will be considerably below wartime levels. However, with an increasing population, with growing emphasis on better nutrition, and assuming a reasonable maintenance of incomes, the demand for eggs will exceed pre-war levels. With many production advantages, and assuming that more efficient marketing methods can be developed in this area, Minnesota producers may supply a much larger proportion of this market than in the pre-war era.

Recommendations:

(1) It will be important that downward adjustment in egg production be started promptly in the demobilization period. Since critical surpluses of eggs may develop before production curtailment is effected, federal purchase machinery should be made available to assist in the stabilization of the market during this period.

(2) If the market for eggs is to be broadened, the egg marketing system of this area should be streamlined and adjusted to operate with maximum efficiency and at reduced cost. A reduction should be effected in the number

of egg dealers so that each may obtain a volume of business large enough for efficient operation. Movement of eggs from dealer to dealer should be reduced or eliminated in order to expedite shipments, to reduce loss in quality, and to avoid additional handling expense.

C. Creamery Industry Adjustment

At the close of the war the Minnesota creamery industry will have approximately 200 to 250 whole milk creameries as compared with about 40 before the war. In addition, there will be a number of new diversified dairy plants equipped to process whole milk into several alternative products. This group of plants will in most cases possess important advantages over the older gathered cream plants, and will be in a good position to profit from the nutritional trend emphasizing the value of non-fat solids in milk. In the event the market for dry milk should weaken after the war, a considerable number of whole milk creameries will confront the problem of finding alternative outlets for their milk, If this cannot be done, their milk plant operations will have to be discontinued with resultant losses on their investment.

The problems of the gathered cream creameries will with some exceptions be more serious and will call for drastic adjustment over the longer term. Large numbers of these creameries will confront serious competitive pressure from the better situated whole milk creameries and diversified dairy plants. In meeting new competitive problems arising from changes in the dairy industry, many of the gathered cream plants, and some of the whole milk creameries, are severely handicapped. The volume of business of many plants is too small to permit maximum operating efficiency. The management of many creameries is weak and inefficient. Large numbers of creameries have failed to keep abreast of technological developments including new processing techniques, modern cost-reducing equipment, improved plant layout, and most effective use of labor.

Recommendations:

(1) Encourage reduction in the number of creameries and increase in their average volume by (a) continuing and strengthening the educational program relating to advantage of size, and by (b) aiding groups of creameries in studying and developing programs of consolidation.

(2) Encourage improvement in plant operating efficiency by (a) adoption of improved accounting, (b) regular audits, and (c) employing better qualified managers and other personnel.

(3) Inform creameries of the advantages of keeping abreast of modern technological developments in the industry.

(4) Encourage the most effective utilization of creamery by-products.

D. Rural Truck Transportation

At the conclusion of the war, the rural truck transportation system of this area will emerge with greatly improved efficiency of operations.

During the war emergency, trucks engaged in the hauling of agricultural commodities have been operated so as to reduce mileage materially. Overlapping of truck routes and cross-hauling has been reduced significantly. Special service trips have been virtually eliminated. Much effort has been directed toward hauling capacity loads and obtaining return loads wherever practicable.

An important problem of the post war agricultural marketing system will be that of retaining at least some of the transportation economies which have been effected during the war. During the demobilization period some or all of the wartime trucking restrictions will be removed. Trucks, tires, gasoline, and manpower will gradually become available in normal quantities. If no advance planning is done on this problem, it is very probable that rural trucking will again return to the highly competitive, wasteful, and costly methods of the pre-war period. In that event a valuable opportunity to reduce an important marketing cost will have been lost.

Recommendations:

Since the principal beneficiary of the economies which may be effected in rural trucking is the farmer, an educational program to inform him of the factors in the problem should be undertaken. Public educational services such as the state agricultural colleges, agricultural extension service, and other appropriate federal agencies should participate in this program.

Ohio Report

MARKETING AND DISTRIBUTING PROBLEMS

Marketing problems in the post-war period will include the following:

(1) Maintaining an efficient marketing system that will process and distribute agricultural products and supplies at low cost.

(2) Broadening the market outlet for farm products.

(3) Providing adequate bargaining power to the farmer in disposing of his products.

(4) Enable farmers to dispose of their output without the price of the whole product being determined by temporary surpluses.

More specific problems and desirable developments in the fields of dairy, livestock, grains, fruit and vegetable marketing are outlined.

Dairy Marketing

I. Transportation of Milk from Farm to Market

A. At the end of the war the problem of transporting milk from the farm to the buyer will be serious. Little has yet been done to bring about efficient use of equipment. Unless a major crisis in hauling develops, little will have been done by the end of the war with Germany.

B. Studies in Ohio have shown that nearly 20% of driving can be saved in most major markets in hauling milk from the farm to the buyer. Efficiency is necessary for high real income.

C. Milk belongs legally to the farmer until it reaches the buyer, and the control and responsibility for efficiency in transportation should rest with the farmers through their associations.

D. It appears, from surveys, that approximately 300 to 400 milk trucks could be eliminated in country hauling.

II. City Distribution of Milk

A. The war has brought about many desirable efficiencies in the city distribution of milk products. At the end of the war, as equipment and manpower become more plentiful, there likely will be a tendency to go back to the less efficient methods of distribution.

B. The major problem in maintaining these efficiencies will be in controlling competition and labor's efforts to create more work going back to old methods.

C. Research should be started immediately to determine the probable efficiency of war-time changes in city distribution of milk under post-war conditions. If distributors and labor, the elements directly affected, fail to retain efficiencies found desirable for the post-war period, organized producers should establish and maintain a marketing system which will do the job with maximum efficiency and at least cost commensurate with services rendered. Intervention of government agencies may be necessary in bringing this about.

III. Sorting of Producers for Different Type of Markets

A. Producers at the end of the war will be arranged in a different pattern than at the beginning. Where population has increased, greatly due to location of defense plants and army camps, the number of producers selling to city distributors has increased.

B. Cooperatives, boards of health, the distributors will need to work together to keep producers best qualified for making milk for city distribution in the fluid markets and to direct producers unable to meet high standards of quality or unwilling to produce evenly throughout the year to manufacturing outlets.

C. Some variation of base and surplus or producer quota plan may be used as a sorting device. Control of transportation by cooperative associations will aid materially. Strict enforcement of board of health regulations also may be a needed measure.

D. Some small additions to manufacturing capacity may be needed in a few instances. Some distant receiving stations can be closed where city requirements are shrinking. The University should assist in training junior executive and field workers for the dairy industry. Much work with producers will be needed.

IV. Establishment of Bargaining Processes for Effective Price Negotiation

A. Prices are now influenced by a great many governmental controls. Many of these will be changed and some withdrawn entirely as the end of the war approaches. As these controls have multiplied, established price making machinery has fallen into disuse.

B. The objective of sound collective bargaining is to arrive at prices that will maintain the supply needed for a high level of consumption, and at the same time, distribute the consumer's dollar so that no group has an unfair economic advantage. Milk solids, not fat, are not given sufficient weight in pre-war formulas for pricing milk used for manufacture. These formulas need revision.

C. Negotiations concerning prices to be paid producers, wages to be paid labor in distribution, and prices to be charged consumers for fresh fluid milk should include representatives of producers, processors, labor, and consumers where they are properly organized for collective bargaining.

D. In some instances, new facilities for proper handling of surplus milk may be needed. The University can contribute by training personnel, and by furnishing factual data on which to conduct price negotiations.

V. Improving Market Outlets for Milk in Southeastern Ohio

A. Southeastern Ohio lacks satisfactory markets for milk. Towns are too small to justify individual collective bargaining cooperatives. Volume of fluid milk on many farms is too small and roads are too poor to justify milk trucking service to distant processing plants. This area is tied by soil and topography to grass farming. Farmers have been handicapped by the decline in value of butterfat in relation to milk solids not fat.

B. Producers of fluid milk in this area have formed bargaining cooperatives which were relatively ineffective until several cooperatives joined in employing a single qualified manager. Further combination of small cooperatives is desirable. A federation with over-all directorate is recommended. To provide an outlet for fluid milk, it is recommended that a processing plant, with daily capacity of 100,000 pounds of milk and designed for expansion, be located in or near Jackson County. Branch receiving stations should be opened to conserve trucking and build volume in the central processing plant. Lack of aggressive leadership among producers and the small surplus of capital for investment in marketing outlets in the hands of producers are major obstacles to be overcome.

C. The fluid milk cooperatives of Southeastern Ohio should lead in improving market outlets by investing capital in a processing plant and providing personnel to develop the project.

D. The cost of processing plant and equipment is estimated at $80,000. Each subsidiary receiving station involves the expenditure of about $10,000.

Livestock and Meat Products

I. Operational Cost will be Major Problem

A. Operational costs will become a major problem beginning about 18 months after the defeat of Germany. This will be due to present high cost of personnel, a decreasing volume of business and an excess capacity of facilities geared to handle the present maximum production.

B. Low costs and not wider margins between producers and consumers are desired but margins are largely dependent on salaries or wages of paid personnel, and a large volume of business. With a smaller volume expected it will be very difficult to keep margins from widening.

C. To keep margins from widening unduly, operational costs must be kept in line. This may mean reduced employment, lowering of salaries, and the elimination of high cost units as the shift is made to a peace-time basis.

D. As volume decreases, there will be less need for labor, facilities and equipment.

II. Consolidation of Marketing Outlets Available to Farmers is Expected to Continue

A. Market outlets available to farmers are expected to go through a reorganization, especially in the western part of the state. The present trend now is toward the development and establishment of major marketing groups within the state. Of these, probably one or two will be cooperative, two or three will be privately owned, and one or two packer dominated or controlled.

B. Too large a number of markets for farmers leads to inefficiency, but an adequate number well located is desired. A further consolidation of many market outlets would seem desirable.

C. Consolidation will probably proceed normally. Generally this development should be looked upon favorably. The cooperatives should be encouraged to adjust quickly to this expected development so as to maintain not only good markets for farmers but to act as pace setters for others in the field.

D. Some construction and labor will be required to remodel, and to expand the facilities and equipment for the fewer market outlets selected as consolidation proceeds.

III. Meat Slaughtering Establishments Must be Ready to Meet the Changes Expected in Meat Distribution

A. Slaughtering establishments of all sizes are expected to continue in the field. Small and medium killers no doubt will engage in an increased amount of custom killing for certain areas and communities. Many plants are not now so organized or equipped to slaughter livestock and market the meat products obtained therefrom at sufficiently low costs when the anticipated changes in production develop as the United States reconverts to peace time operations. The high cost slaughterers may commence to "feed the pinch" after the lifting of government controls and regulations after the war ends.

B. Modern equipment, well arranged, and sanitary facilities are desired in meat slaughtering plants. The difficulty is that many present plants are undesirably and poorly arranged and would probably have to be replaced or rebuilt. Will the margins or profits after taxes be such as to permit or justify these changes?

C. Government effort and attitude should not prevent or restrict unduly the slaughterers in adjusting to the peace time conditions. Cooperatives will probably be compelled to enter the meat slaughtering field.

D. Some labor and materials will be needed for the remodeling necessary in order for business units to remain on an efficient basis.

IV. An Increased Use of Frozen Fresh Meat, Stored in Community Lockers or Freezer Units, is Expected Shortly after the War Ends

A. The present trend in the establishment of cold storage food lockers is a significant development to meat slaughterers. It is anticipated that

home freezer units may become nearly as popular after the war as refrigerators are today. If this occurs there will be an increasing demand for local processors to custom kill livestock, cut, package, and probably quick-freeze meats, which can be stored either in community lockers or in the home units. This method of handling meat may be a factor to keep in line the margin or spread between the livestock producer and consumer.

B. If food lockers should develop rapidly, meat inspection, to guard the nation's health, should be expanded beyond what it is today. Possibly state inspection, rather than inspection under the control of individual cities, should be provided for intra-state slaughterers.

C. If the food locker industry develops rapidly, labor and materials will be required to supply the demand for community as well as home owned freezers. Slaughterers will want to consider making the necessary changes to serve those who will make use of food lockers.

V. An Expanded Market News Service for Livestock Markets is Needed

A. The present inadequate system of reporting livestock prices and other market information is unsatisfactory and undesirable. Cincinnati is the only market in Ohio that now has the Federal News Reporting Service. All other markets are reported by private interests. Prices are not reported accurately in many instances or on a uniform basis by grades. Hence accurate comparison is impossible.

B. Adequate, uniform reports of prices and other marketing information for livestock markets, reported by a non-biased, disinterested service is the desired goal.

C. The extension of Federal-State reporting service should be the answer. The State of Ohio, up to date, has not shown the required interest. Neither have appropriations been forthcoming from the National Congress. Thus accurate and adequate prices may not be available and our livestock price-making institution may develop undesirable and unwanted situations.

D. Trained and experienced personnel will be needed.

VI. Competitive Livestock Markets, Free from Undesirable Practices, is the Goal of Livestock Producers

A. With the elimination of many controls and war-time regulations when the war is won, undesirable and discriminatory marketing practices may and probably will become pronounced at many local livestock, auction or concentration yard markets. There is, at present, a tendency toward relaxing regulatory controls, especially by the state.

B. Markets, that are conducted by fair, honest operators, free from discriminatory and undesirable practices, should be and is the goal of a large part of the livestock industry.

C. The Packer-Stockyard Regulation of our larger markets should be expanded to include our most important local markets. Our state control of marketing agencies needs an overhauling.

D. To carry out this desired program will require trained personnel and the necessary legislative action.

VII. The Livestock Industry Must be Alert and Ready to Meet the Post-War Problems

A. Many marketing and processing problems will appear with the modification or elimination of governmental regulations, such as floor, ceilings, subsidies and "set aside" orders. The time and method of handling will be important.

It is believed that demand for meat products will change rather quickly after the defeat of Germany. Hogs of the so-called "meat" type rather than of the "lardy" type will be in demand. Lighter weight lambs will be wanted.

B. The livestock industry may be late in observing the changes and shifts that will take place following the close of the war. The problem will be to get the various segments of the industry to adjust or be ready to adjust to a peace-time basis at the right time.

C. Research, regional in scope, must keep the livestock and meat industry informed and provide the facts which will aid in the solution of the post-war problems. Government agencies must give out the information desired and needed by the industry.

Fruits and Vegetables

I. Produce Terminals

A. Antiquated terminals and wholesale and jobbing markets in some Ohio cities contribute to wasteful and inefficient distribution. In Cincinnati the existing market area is subject to traffic difficulties and recurring flood hazards. The Columbus market is crowded, badly located and poorly adapted to modern needs. The market in Cleveland is relatively new, and with some adaptation would provide opportunity for concentrating the wholesale food business in that city and demonstrating possibilities of self-regulation.

B. Ultimate modernization of these facilities, including possible provision for air-borne freight, is desirable.

C. In Cincinnati relocation offers little promise; safe, inexpensive and suitable sites are not available. Possibly elevating essential features of the market area in the present location would offer no insurmountable engineering or financial obstacles. The Columbus market can and should be relocated. In Cleveland the Northern Ohio Food Terminal probably could be extended as needed on a superstructure over adjoining low-level trackage.

II. Wholesale Market Organization

A. Effective organization is lacking among wholesalers and jobbers in most Ohio markets and shipping areas.

B. Independent shipping and distributing agencies ought to be encouraged to collaborate where possible, to the end that unnecessary services offered solely for competitive purposes may be minimized.

C. Needed post-war regulatory action in shipping areas or receiving markets probably will provide for some form of participation by the government with organized producers, distributors, and consumers. Efforts should be made to bring about desired action by voluntary agreement, perhaps through creation of local committees or clearing houses, but with provision for enforcement of needed changes by regulatory compulsion if necessary.

III. Cooperative Marketing Associations

A. Cooperative grading, packing, and marketing of apples, potatoes, and some outdoor vegetables are primarily needed in Ohio.

B. Cooperative marketing organizations of producers should be encouraged in order to increase their bargaining power, to secure advantages of voluntary control, and to benefit from growing demands for produce in volume, of standard uniform quality and pack, and in garden-fresh condition.

C. An existing state-wide potato organization should be strengthened and encouraged to merge with an existing vegetable association in the Marietta district. Fruit growers should be included and a central sales office established. Country concentration points are needed in some areas.

IV. Market News

A. Ohio fruit and vegetable growers long have needed more complete market information. Jobbing prices and sales by commission merchants in receiving markets do not reflect with exactness prices received by the grower. From those sources he learns only indirectly what his crops are worth, and is left with some calculating and estimating to do to determine whether a given offer is in line with the market or not.

B. Federal market news service should be resumed in Cleveland. Periodical farm market releases by the Ohio Bureau of Markets and better coverage by the federal market news services are needed.

Wisconsin Report

POST-WAR MARKETING AND DISTRIBUTION PROBLEMS

In any consideration of the problems which are likely to confront Wisconsin producers and processors in the post-war period it becomes apparent very quickly that the problems will be influenced to a great degree by conditions affecting both production and consumption in other parts of the United States. For this reason certain of these conditions must be considered as a background for an appraisal of the problems affecting Wisconsin agriculture more directly.

Another point which should receive attention concerns the period to which the discussion refers. It is expected that the end of hostilities in Europe will occur some time in advance of the end of the war in the Pacific; it is expected also that there will be a period of rehabilitation after the close of hostilities in Europe which will extend for some time--perhaps 18 months to two years--and which will have important effects upon the production, marketing, and distribution of foods in the United States. For the purpose of this paper it will be assumed that the post-war period refers to the period after the close of hostilities in Europe and extending somewhat beyond the indicated period of rehabilitation for the liberated European countries.

The principal problem of a nation-wide scope which bears upon the post-war marketing problems in Wisconsin is the question of national income, with particular reference to factory wages and factory employment. The level of national income is of particular importance to Wisconsin farmers because of its great influence upon the consumption of milk and manufactured dairy products. Such products are highly important to Wisconsin farmers since approximately half of Wisconsin farm income is derived from milk. It is hardly to be expected that industrial wages and employment will be maintained at the present levels during the period immediately following the cessation of hostilities in Europe, but a comparatively high level of national income payments will favor continued heavy consumption of fluid milk and cream off farms and also of commercial ice cream. It will also favor relatively heavy consumption of cheese, butter, and other manufactured dairy products, although the consumption of these commodities does not appear to be related as closely to factory wages as that of fluid milk and ice cream.

Domestic civilian consumption of butter, and particularly of cheese, however, has been reduced by the amounts of these commodities which have been devoted to military and Lend-Lease needs, and marketing channels for both have been absorbed. In these circumstances it is evident that a relatively high level of national income will facilitate the re-establishment of marketing channels and will help to insure full absorption of both butter and cheese at remunerative prices.

Some apprehension is entertained in various quarters concerning the possible effects of present rationing upon post-war consumption of butter and cheese, but such effects are conjectural. It is true that cheese consumption has been reduced because of the amounts taken for Lend-Lease, but in favorable circumstances it may easily be possible that people will be all the more eager to use it when it is

once more freely obtainable. With respect to butter it should be borne in mind that only relatively small quantities have been taken by Lend-Lease and that the need for butter rationing has arisen mainly from the amounts consumed by the Army and Navy, together with an increased demand for butter on the part of many civilians in this country.

The consumption of fruits and vegetables will be governed also to a considerable degree by the incomes of wage earners off farms as will the prices of these products. It may be noted as well that the problems of marketing the eggs produced in Wisconsin will be affected to a large degree by national income and also by the production of eggs in other areas, particularly in sections which formerly were deficit areas for eggs.

It is recognized that consideration of all of the marketing problems which will confront farmers, processors, and others in Wisconsin during the immediate post-war period would go far beyond the limits of this paper. Such problems were far from being solved to full satisfaction before the outbreak of the war, and many of them will continue to occur although some may assume new forms under changed conditions. For example, the question of the best ways of marketing cheese deserves and will continue to deserve a great deal of attention. For the purpose of this discussion, however, three specific problems are selected as having arisen principally from war developments and as being in need of prompt attention after the end of the war in Europe. These three problems include (1) marketing and distribution of the increased output of dried skim milk, (2) disposition of egg powdering plants and new marketing channels for eggs, and (3) disposition of vegetable dehydration plants and of increased canning capacity.

Of these problems, that of the market for dried skim milk may be the most extensive, although perhaps it may be the least acute. The output of dried skim milk in Wisconsin has been increased greatly, but domestic consumption has been cut down because of the urgent need for this product for our armed forces, for Lend-Lease, and for rehabilitation. During the period of rehabilitation in Europe it is probable that the demands on the part of governmental agencies will continue very active. At the close of that period, however, it is quite possible that foreign demand may fall off rapidly and some time may be required to build up domestic consumption.

When adequate supplies again are available there is a great deal of work to be done in presenting dried skim milk to consumers. The situation will constitute a challenge to merchandising ingenuity, but there is no reason to fear ultimate failure. New uses will have to be worked out, perhaps with emphasis on the field of home baking, but also with respect to uses by institutions of all kinds and to the incorporation of this commodity into various foods. Appropriate packages will have to be developed to meet the requirements of numerous consumers, suitable merchandising methods will have to be devised, and a great deal of educational work will have to be done in order to bring dried skim milk to the attention of the consumers, industries, concerns, and individuals, who can use it advantageously. Such work, of course, gets underway slowly but gathers momentum as it goes along.

In the circumstances there are weighty arguments in favor of governmental support for a few years to bridge the gap while domestic consumption is catching up with the war-stimulated production. Since the demand promises to catch up with the supply rather quickly it would be unfortunate to scrap part of the milk drying equipment at the end of rehabilitation and require numerous farmers to return to farm separation of their milk for a time.

A more desirable and economical alternative would be the establishment of a governmental agency which would have the responsibility of taking the surplus off the market at prices to be determined with reference to the prices of other manufactured dairy products and, after selling appropriate proportions abroad, arrange for distribution of the remainder in the United States outside commercial channels. In setting up the plan it would be desirable to specify that decreasing quantities should be distributed directly in successive years down to whatever minimum amount might be retained in direct distribution for nutritional reasons.

In any event it is apparent that new marketing methods for this commodity will have to be devised both on the wholesale and the retail level. It should be borne in mind that presumably a much larger number of small producers will be in the field. Likewise, the production area will be greatly expanded, particularly in the Middle West. These conditions will accentuate the need for organization in the marketing of dried skim milk as the government agencies come to relinquishing an increasing proportion of the output. It should be borne in mind that no such organization has been developed in the past since the industry is comparatively new and was growing rapidly. Consequently, this industry will have no such previously developed marketing system as the butter industry or the egg industry. It will be a matter of building a distribution system rather than of returning to one which formerly was in operation. The handling of the seasonal surpluses may well be an important matter in devising plans for a higher degree of organization.

The development of marketing channels for the eggs now going to egg powdering plants and to military camps within the state will constitute another problem confronting Wisconsin agriculture in the immediate post-war period. Nine egg powdering plants are now in operation in Wisconsin. Nearly all of these were formerly milk powdering plants and presumably can be returned to their former use, perhaps with some purchase of milk handling equipment if that has been moved elsewhere. The purchases of these plants, together with those of Army and Navy camps, however, have caused a considerable dislocation in the former egg marketing system within the state.

On the assumption that hostilities in Europe will cease some time this year, it is possible that the demand for powdered eggs in the spring of 1945 will be comparatively small. Next year it may be even smaller, and it is possible that other localities more remote from markets may provide more eggs for drying than Wisconsin is likely to furnish.

The question of egg marketing channels for the eggs recently taken by driers and by military camps will be affected to a considerable degree by the trend in production in the deficit areas in the eastern states to which large quantities of these eggs formerly were shipped. A tendency toward increasing production in certain of those deficit areas has been noted for several years, and it is difficult to judge at present whether or not the increase induced by wartime conditions in those sections will be maintained. Here again the question of the development of market outlets will be affected by national conditions. Disturbances in marketing channels, however, frequently tend to cause relative inefficiency in marketing, and it is important that close attention be paid to the development of new channels both by the University and the U. S. Department of Agriculture.

Turning to the question of vegetable dehydration and canning capacity, it may be noted that present indications are that many of the dehydrating plants in the United States will have to be scrapped after the end of the war when compactness will be a less important factor than it was when ocean shipping was very short. It is difficult to judge the incidence of this general tendency upon the dehydrating plants in Wisconsin. At the present time there are four plants for dehydration of potatoes, one for onions, one for cabbage, and one for rutabagas. Preliminary indications suggest that there may be more opportunity for potato dehydration than for that of other vegetables. This possibility should be studied carefully. In addition, it is possible that since the plants have already been in operation there may be good reason for keeping certain ones in strategic positions in reserve to deal with flash surpluses of perishable fruits and vegetables.

Although Wisconsin now leads all states in the production of vegetables for canning, processing facilities in the state, as in the country as a whole, have not expanded as much as the increase in output would suggest, as most of the increase has been effected through utilization of the existing facilities at maximum capacity. Therefore, post-war adjustments are largely a problem of redirecting the greatly expanded acreage planted for processing to other uses or outlets. The canning situation would pose no urgent problems during the immediate post-war period if it were not for the possible competition of improved quick-freeze methods. Although there has been some increase in canning capacity, it should not prove burdensome if demand for canned products continues active. The rapid growth in the demand for quick-frozen fruits and vegetables, however, suggests the possibility of a substantial reduction in the demand for many canned products because of the superior quality and palatability of the quick-frozen products. This possible shift can easily be accentuated by a development in small quick-freezing plants for home use. Doubtless, many canners will be able to take advantage of any changes in techniques if this shift in demand should occur, but the possibility will bear close inspection by both University and marketing men.

In order to effectively and promptly meet these problems when they arise, systematic and realistic planning is called for in the months ahead. The University is actively participating in the planning of adjustments that will be necessary at the close of the war in Europe and during the demobilization and reconversion period. A post-war planning committee has been organized by the College of Agriculture on a problem or problem-group basis, and the prospective work has been divided among various sub-committees. The responsibility of the committee on marketing and distribution is to outline and recommend courses of action with respect to problems in the marketing and distribution of food, in the purchase of farm and home supplies, and the relationship of farmers' cooperative business organizations to these problems. In view of the predominating importance of dairying in the farming activities of the state, particular attention will be given to the marketing and distribution of dairy products.

This report must necessarily be considered as preliminary and tentative at best. With only limited attention given to the solution of the anticipated marketing problems, it is not believed possible to offer carefully prepared recommendations at this time.